

AMENDED IN SENATE MARCH 29, 2001

**SENATE BILL**

**No. 674**

**Introduced by Senator Perata**  
(Coauthor: Assembly Member Alquist)

February 23, 2001

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An act to ~~amend Section 709~~ *add Article 1.5 (commencing with Section 2880) to Chapter 10 of Part 2 of Division 1* of the Public Utilities Code, relating to telecommunications.

LEGISLATIVE COUNSEL'S DIGEST

SB 674, as amended, Perata. Telecommunications: *regulation*.

Under ~~the Public Utilities Act~~ *existing law*, the Public Utilities Commission has the authority to regulate public utilities, including telephone corporations, ~~and the Legislature has set forth in that act certain related legislative findings and declarations regarding the policies for telecommunications in California.~~

~~This bill would include in those findings and declarations a statement to encourage the regular review and revision of outdated regulatory provisions in order to further the public interest in the continually changing California telecommunications markets.~~

*This bill would authorize a telephone corporation that is not regulated based on earnings or rate of return to elect to be regulated pursuant to the bill. The bill would prohibit the commission from subjecting such an electing company to any review of earnings, monitoring of rate base, or any other regulation adopted by the commission relating to the net income or the rate of return of the electing company and would prohibit the commission from considering the rate of return, the rate base, or any other earnings of the electing company in connection with any change or proposed changes in any*

rate applicable to that company. The bill would authorize an electing company to determine and account for its investments, revenues, and expenses, including, but not limited to, depreciation expenses, pursuant to generally accepted accounting principles. The bill would make related legislative findings and declarations, and related statements of legislative intent.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~—yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     ~~SECTION 1. Section 709 of the Public Utilities Code is~~  
2     SECTION 1. Article 1.5 (commencing with Section 2880) is  
3     added to Chapter 10 of Part 2 of Division 1 of the Public Utilities  
4     Code, to read:  
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6     Article 1.5. Regulation of Electing Telephone Corporations  
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8     2880. (a) It is the intent of the Legislature to maintain the  
9     progress created by the new regulatory framework adopted by the  
10    commission in 1989, which includes the creation of an atmosphere  
11    in which companies have incentives to operate efficiently,  
12    introduce new products, and provide better service.  
13    (b) The Legislature finds and declares that consumers have  
14    benefited from low, stable prices, as well as from the fast  
15    deployment of important new technologies.  
16    (c) It is the intent of the Legislature to require the commission  
17    to take steps to ensure that California continues this progress.  
18    2880.2. (a) A telephone corporation that is not regulated  
19    based on earnings or rate of return may elect to be regulated  
20    pursuant to this article, and shall file with the commission a  
21    written notice of its election. As used in this article, the term  
22    “electing company” means a telephone corporation that elects to  
23    be regulated pursuant to this article.  
24    (b) The commission may not subject an electing company to  
25    any review of earnings, monitoring of rate base, or any other  
26    regulation adopted by the commission relating to the net income  
27    or the rate of return of the electing company.  
28    (c) The commission may not consider the rate of return, the rate  
29    base, or any other earnings of the electing company in connection

1 *with any change or proposed changes in any rate applicable to that*  
2 *company.*

3 *(d) An electing company may determine and account for its*  
4 *investments, revenues, and expenses, including, but not limited to,*  
5 *depreciation expenses, pursuant to generally accepted accounting*  
6 *principles.*

7 ~~amended to read:~~

8 ~~709. The Legislature hereby finds and declares that the~~  
9 ~~policies for telecommunications in California are as follows:~~

10 ~~(a) To continue our universal service commitment by assuring~~  
11 ~~the continued affordability and widespread availability of~~  
12 ~~high-quality telecommunications service to all Californians.~~

13 ~~(b) To encourage the development and deployment of new~~  
14 ~~technologies and the equitable provision of services in a way~~  
15 ~~which efficiently meets consumer need and encourages the~~  
16 ~~ubiquitous availability of a wide choice of state-of-the-art~~  
17 ~~services.~~

18 ~~(c) To promote economic growth, job creation, and the~~  
19 ~~substantial social benefits that will result from the rapid~~  
20 ~~implementation of advanced information and communications~~  
21 ~~technologies by adequate long-term investment in the necessary~~  
22 ~~infrastructure.~~

23 ~~(d) To promote lower prices, broader consumer choice, and~~  
24 ~~avoidance of anticompetitive conduct.~~

25 ~~(e) To remove the barriers to open and competitive markets and~~  
26 ~~promote fair product and price competition in a way that~~  
27 ~~encourages greater efficiency, lower prices, and more consumer~~  
28 ~~choice.~~

29 ~~(f) To encourage the regular review and revision of outdated~~  
30 ~~regulatory provisions in order to further the public interest in the~~  
31 ~~continually changing California telecommunications markets.~~